

U.S. Coast Guard FY 2002 Report



Fiscal Year 2001 Performance Report
Fiscal Year 2003 Budget in Brief



An Average Day in the Coast Guard

Each day, the men and women of the 35,000 plus active duty Coast Guard, 8,000 Reservists and 32,000 Auxiliarists provide services over 3.4 million square miles of Exclusive Economic Zones...

- Conduct 109 Search and Rescue Cases.
- Save 10 lives.
- Assist 192 people in distress.
- Protect \$2,791,841 in property.
- Small boats are underway for 396 sorties/missions.
- Aircraft fly 164 missions, logging 324 hours, of which 19 hrs are flown off patrolling cutters.
- Law enforcement teams board 144 vessels.
- Seize 169 pounds of marijuana and 306 pounds of cocaine worth \$9,589,000.00.
- Seize 1 drug smuggling vessel every five days.
- Cutter and small boat crews interdict and rescue 14 illegal migrants.
- Marine Safety personnel open 8 new cases for marine violation of federal statutes.
- Process 238 Seaman licenses and documents.
- Marine Inspectors board 100 large vessels for port safety checks.
- Vessel examiners conduct 20 commercial fishing vessel safety exams and issue 11 fishing vessel compliance decals.
- Pollution investigators respond to 20 oil or hazardous chemical spills totaling 2,800 gallons.
- Investigate 6 vessel casualties involving collisions, allisions or groundings.
- Buoy tenders and Aids to Navigational Teams service 135 aids to navigation.
- Vessel Traffic Service controllers assist 2,509 commercial ships entering & leaving U.S. ports.
- Icebreakers and buoy tenders assist 196,938 tons of shipping daily during the Great Lakes ice season.
- International Ice Patrol sorties provide ice safety information to facilitate the 163,238 tons of shipping during the North Atlantic ice season.
- Auxiliarists conduct 377 vessel safety checks and teach boating safety courses to 550 boaters.

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2002 REPORT

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FY 03 Budget in Brief

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THE COMMANDANT OF THE UNITED STATES COAST GUARD
WASHINGTON, D.C. 20593-0001

The President's fiscal year 2003 budget is a statement of support for the mission requirements placed upon the Coast Guard. Today, we operate with the constant threat of terrorism. The enemy, unlike any other in our history, has turned the tools of our own prosperity into weapons against us. As a nation that depends heavily on oceans and sea-lanes as avenues of prosperity, we know whatever action we take against further acts of terrorism must include protection of our ports and waterways and the ships and people that use them. Terrorism, however, is only one of many modern day threats that confront us. Migrant and drug smuggling compound the threat of terrorism when they contribute to illicit movement of people, money, and weapons across our borders. They continue to grow in severity each year. Profits from these criminal activities are well documented as significant funding engines for international terrorism. This budget moves Maritime Homeland Security alongside Search and Rescue as our primary mission focus, and continues the multi-year transformation that is **Restoring Our Readiness and Shaping Our Future**.

Several years ago, a rigorous analysis of the future operating environment and our current status revealed a real and growing gap between our capabilities and the expectations of the American people.

Two years ago, I outlined the lack of readiness in the Coast Guard, which had been revealed by our careful analysis. I compared our service to a knife dulled by complacency and over-use. We had begun to confuse willingness with readiness.

Last year, I emphasized the need to continue the transformation of the Coast Guard to ensure its success in meeting the challenges of the 21st century, a transformation through modernization of our assets, our workforce, and our thinking.

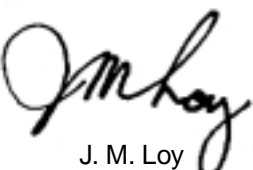
The future arrived unannounced on September 11th of last year. The transformation that we had designed occurred sooner, faster, and with greater force than we might have anticipated...but it is still in line with our vision. We must continue that transformation by concentrating even more energy and resources on restoring our readiness and shaping our future, the two pillars of my direction for the past several years. You can't do one without the other. They are the strength of our integrity as a service. As we get them right, we'll enable the new Maritime Homeland Security capability at the same time.

Our integrity, or wholeness as an organization, underscores the need to return the Coast Guard to its full capability. This means optimal sustained use of current assets. Recapitalization and modernization through the performance-based acquisition of the Integrated Deepwater System (IDS) and overhaul of the National Distress and Response System (NDRS) will provide the Coast Guard with the tools necessary to do the Nation's work both offshore and in our coastal environment.

I have developed a comprehensive Maritime Homeland Security strategy to meet the nation's needs. The fiscal year 2003 budget begins a multi-year effort to build the resource base we need to make our contribution to America's security. The principal elements of the strategy are:

Build Maritime Domain Awareness	Ensure Controlled Movement of High Interest Vessels	Enhance Presence and Response Capabilities	Protect Critical Infrastructure and Enhance Force Protection	Increase Domestic and International Outreach
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This budget request is a strong statement to support this strategy. Our Nation will rebound proud, patriotic, and strong from the attacks of September 11th and our Coast Guard will meet our obligations to our National Maritime Homeland Security challenges.


J. M. Loy
Admiral, U.S. Coast Guard

Providing Essential Services

In 2001, Americans. . .



Rebounded from the September 11th, 2001 international terrorism attacks on the World Trade Center in New York City and Pentagon in Virginia by three hijacked civilian airliners, and from the hijacked civilian airliner crash in Pennsylvania.



Bought 92,000 watercraft and 578,000 recreational boats.

Took to the water for a day of fun in 17 million boats. 72 million boaters spent \$23 billion on goods and services.



Suffered more than 550 drug-related murders and lost nearly 17,000 lives to drug abuse.

Spent more than \$62 billion to purchase illegal drugs and lost \$110 billion in costs relating from drug abuse.



Harvested 4.3 million tons of fish and employed 300,000 in the commercial and recreational fishing industry that had a \$52 billion impact on the economy.

Shipped over 285 billion gallons of oil on vessels throughout U.S. waterways.



Employed over 1 million people in maritime and port industries.

Operated passenger vessels capable of carrying 7.3 million passengers.

Moved 1.1 billion tons of domestic cargo on U.S. navigable waters.



Enjoyed worldwide free trade made possible by freedom of the seas.

Relied on peacekeeping and nation building to maintain peace around the world.

Supported the NATO mission in the European theater.

In 2001, the Coast Guard. . .



Responded with Operation Noble Eagle...

- redeployed 55 cutters, 42 aircraft & hundreds of small boats in the ports and along the coasts;
- recalled 2,700 of 8,000 selected reservists;
- established 131 security zones around critical facilities while protecting the nation's 361 ports;
- deployed 4 Port Security Units to domestic ports;
- extended vessel Notice of Arrival from 24 to 96 hrs; and provided on-board Sea Marshals and Coast Guard vessel escort of many high interest vessels.



Saved the lives of nearly 4,200 mariners in distress and responded to more than 39,000 calls for rescue assistance.

Conducted more than 110,000 recreational vessel examinations and more than 36,000 inspections on commercial vessels.



Prevented more than 138,000 pounds of cocaine, 34,000 pounds of marijuana and more than 500 gallons of hashish from reaching the United States.

Interdicted 3,900 undocumented migrants attempting to illegally enter the country by sea.



Boarded more than 9,100 fishing vessels to enforce safety and environmental laws.

Conducted more than 800 inspections aboard mobile offshore drilling units.

Responded to 12,000 reports of water pollution or hazardous material releases.



Ensured more than 1 million safe passages of commercial vessels through congested harbors with Vessel Traffic Services.

Kept shipping channels clear of ice during the Great Lakes and New England winter shipping season.

Maintained more than 50,000 federal aids to navigation, including 15,000 along 11,900 miles of navigable waters.



Sent International Training Teams to help develop maritime services for new democracies in Eastern Europe and Central Asia.

Participated in battlegroup deployment operations in the Mediterranean and Persian Gulf and enforced UN sanctions by interdicting oil being smuggled out of Iraq.

Provided support for productive U.S. and international science programs in both polar regions.

Homeland Security

The Value and Vulnerability of the Maritime Transportation System

Priorities changed in the wake of the September 11th terrorist attacks, and the Coast Guard, like the rest of the nation, is still defining its new normalcy as this publication goes to print. Following the attacks, funding of traditional missions quickly shifted to what has been referred to as the biggest port security operation since World War II. The goal was to protect the Maritime Transportation System (MTS), which includes waterways, ports, inter-modal connections, vessels and vehicles. The MTS is an attractive target to terrorists because it is both valuable and vulnerable.

Maritime trade, which currently contributes nearly a trillion dollars annually to our Gross Domestic Product, is expected to double or triple over the next twenty years, and much of the cargo will be transported on ships of other nations. The physical, economic, and psychological consequences associated with a significant port security breach would be unfathomable. Over 95% of our overseas commerce is carried through seaports and the American people want to be



assured that vessels and their cargo pose no significant threat to our ports and our nation. Current assessments, however, indicate that less than two percent of the containers that enter the U.S. are subjected to physical inspection. The Coast Guard is uniquely positioned as a military service and a federal law enforcement agency to recognize elusive maritime terrorist threats, anticipate our vulnerabilities, and serve as a command structure and bridge for military and civilian agencies.

The Coast Guard achieves its flexibility and strength through its military discipline, multi-mission character, and civil law

enforcement authority. This unique authority and flexibility in operations allows our organization to shift our resources radically from one priority to another in a matter of minutes. Unlike past surge operations, however, the Coast Guard today appears to be facing a more long-term challenge: to increase maritime domain awareness, step up port security operations, and reduce our nation's vulnerability without losing focus on more traditional but no less important maritime security, safety, mobility, and protection of natural resource missions.



MTS Value

95% of U.S. overseas trade

90% of material for Major Theater War travels via sea

\$742 billion of GDP

6.5 million cruise ship passengers

MTS Vulnerability

200,000 annual foreign mariners

7,500 annual foreign ships

6 million cargo containers

95,000 miles open shoreline

Less than 2% of containers physically inspected

Budget Highlights

The President's fiscal year 2003 budget makes substantial progress to enhance the Coast Guard's capabilities across the breadth of the organization's assigned responsibilities.

Search and Rescue, alongside Maritime Homeland Security, remains one of the Coast Guard's highest priority missions and advances the Coast Guard's multi-year transformation of **Restoring Our Readiness** and **Shaping Our Future**.

- Funding for Maritime Search and Rescue / Personnel Safety (Operating Expenses \$21.7M) will provide 193 additional personnel to fill critical personnel shortages at field units, to enhance Search and Rescue (SAR) capability and improve the safety of personnel prosecuting Coast Guard missions.

It is the Coast Guard's goal to ensure the security of our ports, waterways and maritime borders. The Coast Guard's Maritime Security strategy will focus on the following five elements:

1. Build Maritime Domain Awareness (*Intelligence*). The Coast Guard will increase intelligence efforts in ports; improve advanced information on passengers, crew and cargo; and establish Area Fusion Centers.

- Improving Communications and Connectivity (Operating Expenses \$34M) will expand the Coast Guard's equipment inventory to process secure intelligence information pertinent to homeland security missions while providing operating and maintenance funding to maintain required DOD communications standards.
- The Maritime Domain Awareness Information Management (MDAIM) initiative (Acquisition, Construction & Improvement \$9.4M) will enhance the capital infrastructure required to manage, collect, analyze, fuse and disseminate information rapidly.
- Improving Information and Investigations capability (Operating Expenses \$26M) will provide 163 personnel and operating and maintenance resources to expand the investigative and information collection capabilities at the strategic and tactical level.

2. Ensure controlled movement of High Interest Vessels (*Intervention*). The Coast Guard will increase boarding and escort operations and track inbound High Interest Vessels.

- Maritime Escort and Safety Patrols (Operating Expenses \$18M) will provide 160 personnel and funds for Sea Marshals on high-interest vessels. This request will also increase safety patrols in U.S. strategic ports and will enhance intercept, boarding, and escort capability. These capabilities provide critical Coast Guard presence in the ports and their approaches.

3. Enhance presence and response capabilities (*Interdiction*). The Coast Guard will deploy Maritime Safety and Security Teams (MSSTs) and increase harbor patrols and visibility. MSSTs (Operating Expenses \$47.5M) will provide the Coast Guard with recurring funding to support six teams of 71 active duty personnel (per team) with the capability for harbor patrols, establishment of security zones, vessel interdiction and waterborne incident response within the most critical U.S. ports.

4. Protect critical infrastructure and enhance Coast Guard force protection (*Infrastructure*). The primary responsibility for the protection of commercial infrastructure is with the owner/operator of a facility or vessel (including addressing the threat from the waterside when a facility is adjacent to a water body). The Coast Guard will conduct roving patrols and random inspections to ensure that the owners and operators have provided the commensurate level of protection. The Coast Guard must take step to ensure protection our personnel, physical plant, and information technology capabilities.

- Chemical, Biological and Radiological Countermeasures (Operating Expenses \$17.5M) funding will provide protection, detection, decontamination capabilities, and 12 expert personnel to CG units and strike teams. These capabilities are critical for Coast Guard first responder units to potential terrorist acts and protecting these forces against hazardous environments.
- Critical Infrastructure Protection (Operating Expenses \$11.1M) will improve information technology security and accelerate recapitalization intervals to meet mission demands. Additionally, this request will allow

for detailed analysis of virus and hacker attacks while establishing countermeasures to protect critical data from disruptions associated with terrorist activity or other disasters. Moreover, this request funds off-site back-up capabilities to ensure continued service in the wake of attack or other disaster and 47 personnel to support enterprise reliability.

- Firearms and Ammunition (Operating Expenses \$9.1M) provides funding to ensure ammunition and training levels for port security and maritime law enforcement missions are equipped at necessary readiness levels.

5. Increase domestic and international outreach (International/Interagency).

The Coast Guard will require robust vessel, including high-capacity ferries, and waterfront facility security plans. These plans will address access control, credentialing of waterfront employees, and other security issues. Coast Guard Captains of the Port, in concert with all other port stakeholders, will prepare anti-terrorism contingency plans. All of these plans will be exercised periodically. The Coast Guard will continue to work with the International Maritime Organization to align international activities and improve security.

- Security Readiness and Planning (Operating Expenses \$21.5M) will mitigate the U.S. seaport system's vulnerability by providing 111 personnel to meet emerging planning and capability needs in maritime homeland security.
- Incident Command System (Operating Expenses \$2.3M) funding will provide the necessary personnel resources and funding to ensure the Coast Guard is poised to manage all command, control and communication aspects of a response to an act of terrorism.

The **Integrated Deepwater System (IDS)** (Acquisition, Construction & Improvement \$500M) funds the second year of procuring or upgrading current assets for an integrated system of surface, air, command and control, communications, computers, intelligence and reconnaissance and logistics systems to carry out deepwater missions.

- In FY 2003, the Coast Guard and System Integrator will finalize the Performance Measurement Plan. Once the plan is complete and the targets are determined, the performance measures will be monitored and analyzed.
- OST and OMB have jointly certified full funding for Deepwater for fiscal years 2003-2007. To control costs, the Coast Guard will have direct and positive control over the design and construction of Deepwater assets. Quarterly and annual reviews will be conducted to evaluate the performance of the System Integrator and product performance. The Coast Guard will maintain positive control over the integrator who will act only on the Coast Guard's task orders.

Some people see [Maritime Homeland Security] as an adjunct mission--another new task added to a growing constellation of tasks for the Coast Guard. But I see it as our North Star. The mission of maritime [homeland] security may be more urgent today than it was three months ago, but it is no less important than it was 211 years ago.

Admiral James M. Loy
HERITAGE FOUNDATION
LECTURE

December 17, 2001

"A few armed vessels, judiciously stationed at the entrances of our ports, might at a small expense be made useful sentinels of the laws."

--Publius,
The Federalist Papers
(No.12),
The New York Packet,
November 27, 1787

Annual Performance Goals

The Coast Guard's Performance Goals

Maritime Safety

- ◆ **Search and Rescue** Save all mariners in distress
- ◆ **Maritime Worker Fatalities** Eliminate crew member fatalities
- ◆ **Passenger Vessel Fatalities** Eliminate passenger vessel fatalities
- ◆ **Recreational Boating Fatalities** Eliminate recreational boating fatalities

Maritime Security

- ◆ **Drug-Interdiction** Reduce the flow of illegal drugs
- ◆ **Undocumented Migrant Interdiction** Eliminate the flow of undocumented migrants entering the U.S. via maritime routes
- ◆ **Foreign Fishing Vessel Incursions** Eliminate illegal encroachment of the 200 mile U.S. Exclusive Economic Zone by foreign fishing vessels

Protection of National Resources

- ◆ **Oil Spills** Eliminate oil discharged into the water
- ◆ **Marine Debris** Eliminate plastics and garbage discharged into the water
- ◆ **Living Marine Resources** Effectively enforce federal regulations that provide stewardship of living marine resources and their environments

Maritime Mobility

- ◆ **Navigation Aids** Maximize vessel mobility in ports and waterways
- ◆ **Vessel Traffic** Eliminate vessel collisions, allisions, and groundings
- ◆ **Domestic Icebreaking** Maintain maritime navigation in icebound areas
- ◆ **Polar Operations** Provide icebreaking capability needed to support national interests in the polar regions

National Defense

- ◆ **Military Operations** Provide core competencies when requested by the Department of Defense or the Department of State
- ◆ **Military Readiness** Achieve and sustain complete military readiness for U.S. Coast Guard units as required by the Department of Defense

The Multi-Mission Aspect of Homeland Security

This year, the Coast Guard will update its Strategic Plan to incorporate performance goals for Homeland Security.

As a multi-mission service, the U.S. Coast Guard is continuing its essential pre-September 11th duties while still surging operations to protect against threats to maritime homeland security. The need for safe, clean, secure, and efficient waterways was not diminished by the attacks. However, performance data indicate that the Coast Guard has missed its targets for many of its performance goals. Because of the Coast Guard's unique multi-mission nature, most of the budget items discussed in this document will provide complimentary capability for other Coast Guard missions in addition to addressing homeland security needs. Throughout this document you will find text boxes that discuss how Coast Guard missions and strategic goals contribute to Maritime Homeland Security.

The Coast Guard's outcome oriented performance goals and measures are used to track and manage its progress and achievement in attaining its strategic goals. In addition to the performance measures and outcomes outlined on the following pages, the Coast Guard is in the process of expanding its goals and measures to evaluate the success of its maritime homeland security role. The Coast Guard also continues to use and develop output measures to capture the status of specific critical activities that enable the Coast Guard to achieve its performance

goals. Detailed information on Coast Guard performance goals and measures can be found in both the Coast Guard and the Department of Transportation performance plans.

About our performance measures

Since the publication of our FY 2001 Performance Plan, we have continued to revise our performance goals and improve our data. The measures for maritime worker fatalities, passenger vessel fatalities, recreational boating fatalities, migrant interdiction and vessel traffic have been revised to provide more useful and accurate information upon which to base management decisions. For two of our new measures, passenger vessel fatalities and maritime worker fatalities, we have calculated a new target that is proportional to the original measure's target. For example, if the original target represented a 20 percent reduction, the new target does as well. More detailed discussion of adjustments to data and performance measures, as well as results for discontinued measures, can be found in the Coast Guard's FY 2001 Performance Report and FY 2003 Performance Plan. This document contains our latest measures and goals.

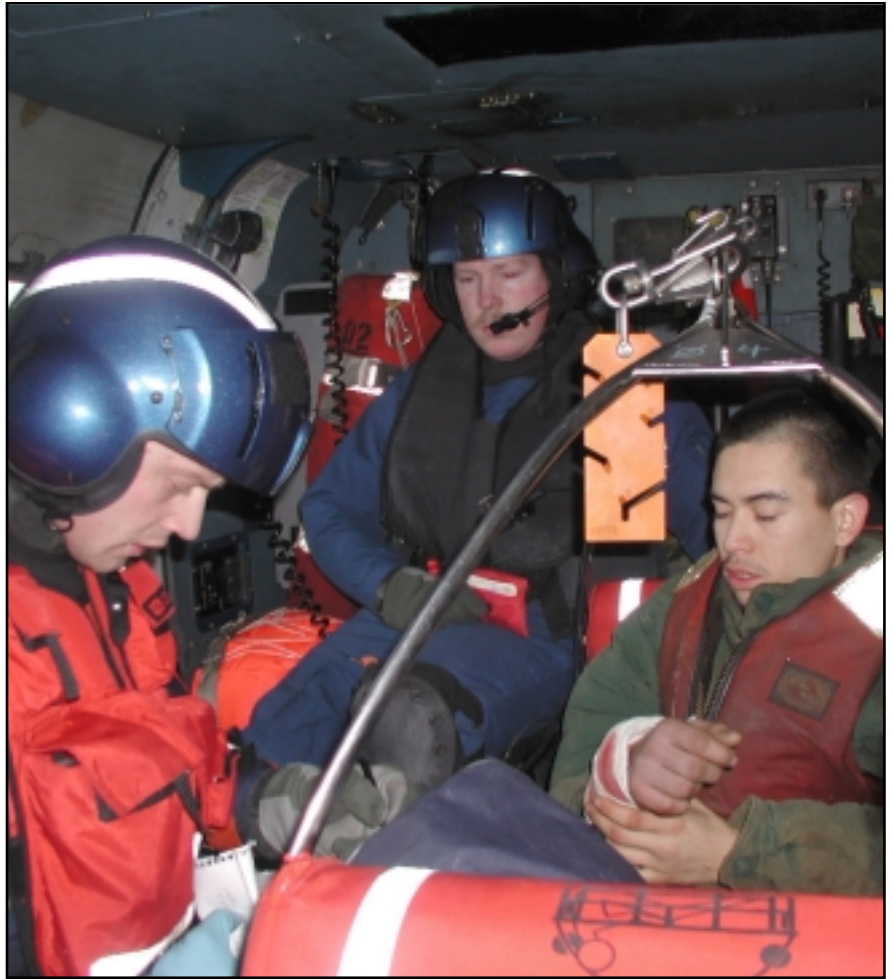


U.S. Coast Guard Mission Statement

The United States Coast Guard is a multi-missioned maritime service and one of our Nation's five Armed Services. Its mission is to protect the public, the environment, and U.S. economic interests - in the Nation's ports and waterways, along the coast, on international waters, or in any maritime region as required to support national security.

Maritime Safety

Maritime safety remains one of our highest priorities. Ensuring safety will be even more challenging in the years ahead as the number of ships plying inland, toward coastal and international waterways continues to grow, and dramatic increases in personal watercraft and recreational boating add to congestion on the nation's waterways. Each year, in the conduct of commerce and recreation mariners risk loss of life or injury at sea and billions of dollars of property are at risk. Through education, regulation, and enforcement efforts, as well as search and rescue operations, the Coast Guard reduces fatalities, injuries and property loss at sea.

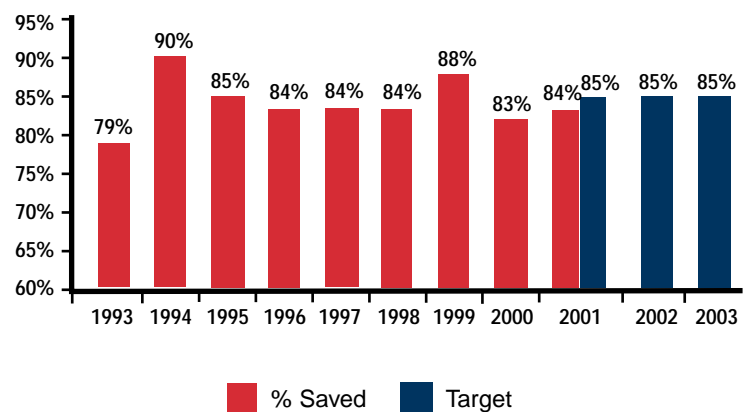


Search and Rescue

The Coast Guard is the sole government agency that has the expertise, assets, and around the clock, on-call readiness to conduct search and rescue missions in all areas of the maritime environment. Annually, the Coast Guard responds to approximately 40,000 calls for assistance. This year the Coast Guard saved 84.2% of all mariners in distress—a slight improvement over last year's results.

While several factors compound the difficulty of successful response, such as untimely notification to the Coast Guard of distress, incorrect reporting of the distress site location, severe weather conditions at the distress site, and distance to scene, a number of projects are underway that will continue to improve our ability to plan and respond to maritime distress incidents. Upgraded and improved search planning tools have been implemented and are

Save All Mariners in Distress



Maritime Homeland Security

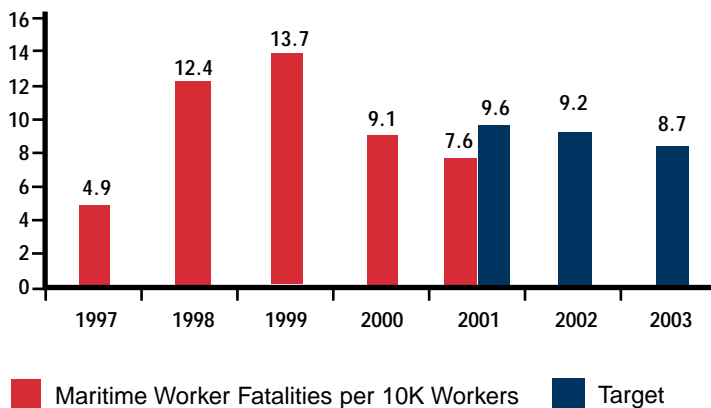
The Coast Guard is working closely with industry as well as providing direct protection to reduce the risk of death or injury due to a hostile act.

being developed, and the use of self-locating datum marker buoys will begin in the spring of 2002. These improvements will help search and rescue planners better define search areas, and will result in more efficient and effective searches. In addition, the response capability of the Coast Guard will be enhanced in the future with the National Distress Response System Modernization Project and the deployment of the Global Maritime Distress and Safety System. Such technology will automate the Coast Guard's ability to sort, evaluate, and identify distress alerts, including automatic plotting on electronic chart displays to help take the "search" out of search and rescue.

Maritime Worker Fatalities

Crewmember fatalities have been significantly reduced in the last two years. Eighty crewmember fatalities occurred in FY 2001, down from 145 in FY 1999. The largest number of maritime worker fatalities continues to occur on commercial fishing vessels. This year 47% of crewmember fatalities occurred in the fishing industry.

Maritime Worker Fatalities per 10,000 Workers



Dwindling fish stocks, which cause fishermen to take additional risks, and human error play a significant role in fishing vessel fatalities; poor material condition of vessels and equipment play a role as well. The Coast Guard seeks to improve safety in the fishing industry by helping fishermen comply with the regulations issued under the Commercial Fishing Industry Vessel Safety Act of 1988. During CY 2001, the Coast Guard Auxiliary conducted 1,278 voluntary fishing vessel safety checks.

Hazards to personnel have also been endemic to the tug and passenger industry. Crewmembers working to attach a barge to a tug or to free a grounded vessel are at risk of being crushed in an accident,

Funding Profile

Search and Rescue Funding Profile

(Dollars in millions)

	OE*	AC&I*
FY97	\$328.3	\$41.0
FY98	\$345.8	\$50.2
FY99	\$419.9	\$47.1
FY00	\$451.1	\$169.2
FY01	\$575.2	\$66.2
FY02	\$481.8	\$86.1
FY03	\$563.3	\$115.9

* OE: Operating Expenses;
AC&I: Acquisitions,
Construction and
Improvements

Marine Safety and Security Funding Profile

(Dollars in millions)

	OE	AC&I
FY97	\$376.1	\$22.5
FY98	\$384.6	\$36.9
FY99	\$417.6	\$29.3
FY00	\$395.6	\$34.4
FY01	\$355.7	\$40.9
FY02	\$1,005.0	\$119.9
FY03	\$1,239.3	\$154.2

Maritime Safety—Continued

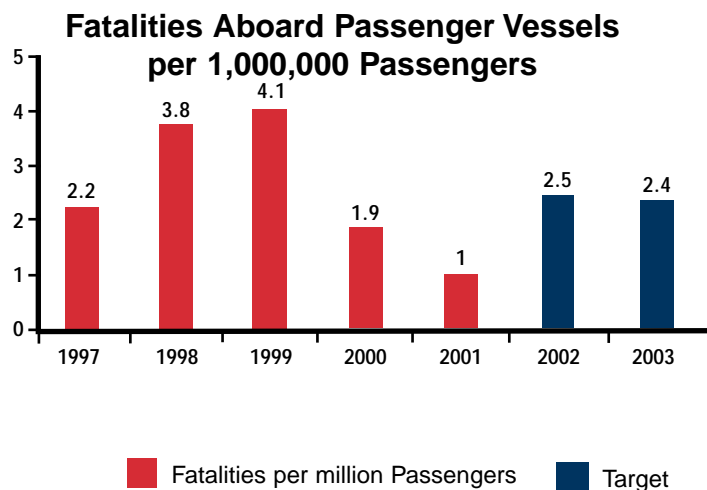
or falling overboard (the single greatest cause of fatalities in this industry). The Coast Guard is working to improve safety through education, public awareness, voluntary dockside examination of vessels, and regulatory enforcement during at-sea-boardings.



Passenger Vessel Safety

Each year millions of passengers are carried aboard cruise ships, ferries, charter boats, sightseeing boats, gaming vessels and other commercial passenger vessels in the U.S. However, only seven fatalities occurred in FY 2001. These results demonstrate a marked decrease in the actual number of passenger deaths, as well as a decline in the death rate.

The Coast Guard aims to ensure the safety of passengers on board vessels by preventing accidents, responding promptly to accidents when they occur, and investigating accidents to prevent them from happening again in the future. Although the number of fatalities is low, concerns remain. As newer vessels are put into use with much higher passenger capacities and speeds, there are concerns that the current regulatory framework may be inadequate. Larger passenger vessels are operating in more remote regions of the world. This expansion threatens the ability of the crew to adequately respond to a major casualty involving thousands of passengers in these remote locations. As such, the Coast Guard continues to focus on crew emergency drills during vessel inspections. In addition, the post-September 11th environment has created an era of uncertainty about whether sufficient security is in place to ward against a terrorist incident that could bring harm to passengers or crew. The Coast Guard is working closely with industry as well as providing direct protection to reduce the risk of death or injury due to a hostile act.



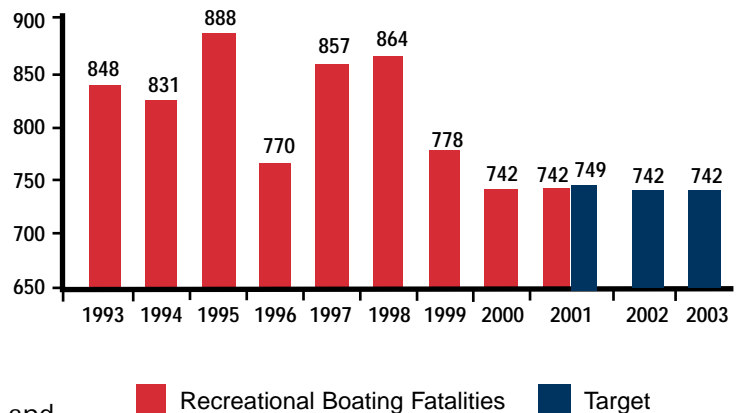
Recreational Boating Fatalities

The Coast Guard estimates that 742 recreational boating fatalities occurred during calendar year 2001. The ratio of fatalities to registered numbers of boaters is decreasing despite an increasing number of registered boaters. During this period, the number of boating fatalities per 100,000 registered boats has decreased by 34%. During this period, there has been a downward trend in the number of boating deaths caused by drowning, which suggests that the Coast Guard's outreach and awareness campaign encouraging boaters to wear life jackets may be having a positive impact, and saving lives.

In the coming year, the Coast Guard will provide nationally coordinated outreach campaigns targeting life jacket wear, boating safety education, Vessel Safety Checks, "Operation BoatSmart," boating under the influence of drugs and alcohol, and other safety issues, such as carbon monoxide poisoning. The Coast Guard Auxiliary will continue to conduct Vessel Safety Checks of recreational boats in cooperation with the U.S. Power Squadrons and state agencies, and to provide boats and aircraft to assist with maritime search and rescue.

In CY 2001 the Auxiliary conducted 107,149 vessel safety checks and helped to save 458 lives. The Coast Guard will continue to develop safety regulations in cooperation with manufacturers and standards organizations,

Recreational Boating Fatalities



investigate consumer complaints of non-compliance with standards, and monitor manufacturers' boat and equipment recalls.



Coast Guard boat crews enforce boating safety laws across America's navigable waterways.

Maritime Security

The Coast Guard is the sole federal law enforcement agency with jurisdiction in both U.S. waters and on the high seas. The Coast Guard's enforcement of laws and treaties focuses on conducting multi-agency counter drug operations, interdicting illegal migrants and contraband, protecting living marine resources, as well as deterring and preventing asymmetric threats.

Drug Interdiction

As the only military service with law enforcement authority, the Coast Guard apprehends smugglers attempting to import illegal drugs into the United States through the six million square mile Transit Zone. Coast Guard boarding



teams deal with the challenge of enforcing increasingly complex laws against criminals determined to violate U.S. laws. Despite foiling so many attempts to smuggle drugs into the country, drug-induced deaths continue. Trafficking must be obstructed not only to halt the destructive influence of drug consumption, but also to stem other criminal related acts, such as drug funded terrorism.

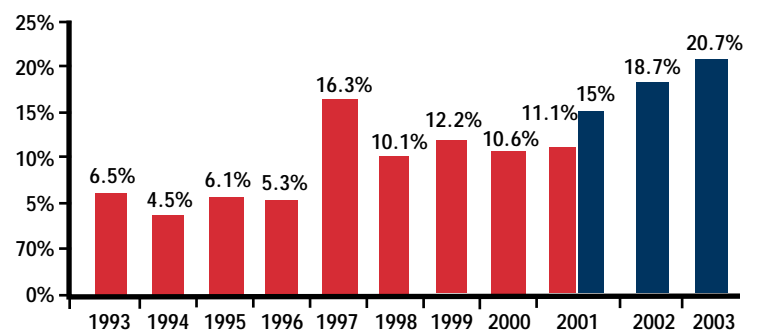
Drug interdiction operates in a challenging and ever changing environment. The international drug syndicates operating throughout our hemisphere are resourceful, adaptable, and extremely powerful. At the same time, socio-economic conditions, both here and abroad, influence the supply and demand for illegal narcotics.

Although the Coast Guard seized a record 138,393 pounds of cocaine in 2001, we do not expect to meet the 2001 performance target

because northward cocaine flow has increased. A growing threat in smuggling has been the shipment of cocaine to the United States through the eastern Pacific. The Coast Guard shifted resources to adapt to this change in drug transport, and interdictions in this region accounted for 89 percent of all drugs seized by the Coast Guard in 2001.

While the Coast Guard is the lead federal agency for maritime drug interdiction, the Office of National Drug Control Policy (ONDCP) coordinates overall U.S. drug policy, and sets national objectives and goals in the National Drug Control Strategy. The Coast Guard participates in the multi-agency efforts to set and meet these goals. Enforcement efforts regularly require coordination among the Coast Guard and Department of State, National Security Council, Department of Justice, Department of Commerce, Department of Defense, and Treasury. The Commandant of the Coast Guard serves as the U.S. Interdiction Coordinator, coordinating international interdiction efforts with the Department of Defense, Customs, and other agencies.

Seizure Rate for Cocaine in the Transit Zone



NOTE: FY 2001 results are a preliminary estimate.

■ % Cocaine Seizure Rate ■ Target

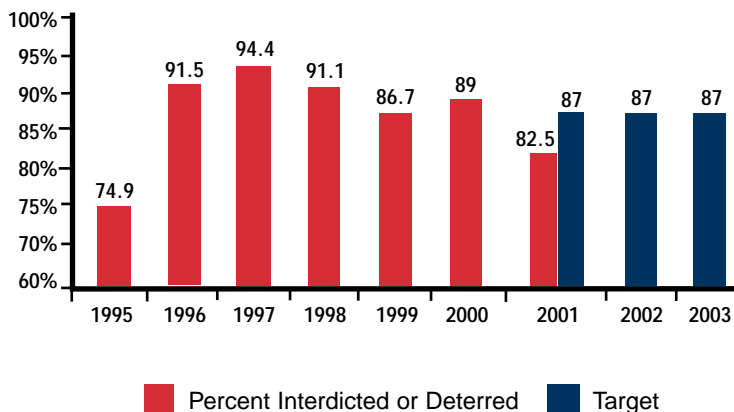
Maritime Homeland Security

Migrant and drug smuggling compound the threat of terrorism when they contribute to illicit movement of people, money, and weapons across our borders. Profits from these criminal activities are well documented as significant funding engines for international terrorism.

Undocumented Migrant Interdiction

Illegal immigration poses a serious threat to America's economic and social well-being, and challenges the integrity of our borders as a sovereign nation. Thousands of people try to enter this country illegally every year using maritime routes, many via well-organized smuggling operations. A significant number perish when overloaded, un-seaworthy vessels capsize. The U. S. Coast Guard maintains an effective presence in migrant departure, transit and arrival zones, patrolling throughout the Caribbean and Florida Straits, in addition to responding to intelligence on voyages along the East and West coasts and throughout U. S. territories in the Pacific in its efforts to curtail illegal immigration.

Undocumented Migrants Interdicted or Deterred



The Coast Guard interdicted or deterred 82.5% of undocumented migrants who attempted to enter the U.S. via maritime routes in FY 2001. Our goal of 87% was not achieved because of the rapid increase in smuggling operations via high speed vessels from Cuba and an increase in the number of Haitian migrant departures.

Socio-economic and political conditions in both the U.S. and migrant source countries drive migrant entry attempts. These factors are typically the root causes of mass migration. In addition, the practices associated with smuggling provide an active criminal intent of those who profit from moving undocumented migrants. Year-to-year measures of success can take unexpected turns based on changing criminal tactics.

Recent shifts from "traditional" rafters to migrants being smuggled aboard high-speed vessels have led the Coast Guard toward research and development of "running gear entangling systems" (equipment

Funding Profile

Enforcement of Laws & Treaties Funding Profile

(Dollars in millions)

	OE	AC&I
FY97*	\$706.9	\$50.9
FY98*	\$695.1	\$64.8
FY99*	\$839.8	\$301.8
FY00	\$850.0	\$295.0
FY01	\$1,007.3	\$115.9
FY02	\$743.8	\$170.3
FY03**	\$873.2	\$220.0

* Domestic Fisheries & Marines Sanctuaries Enforcement Funding Profiles removed for FY97, FY98, and FY99.

** For FY03, The drug interdiction portion of ELT is \$587.2 million for Operating Expenses (OE) and \$146.6 million Acquisition, Construction & Improvements (AC&I).

Maritime Security—Continued

that can stop a vessel by entangling its propellers and rudders) and other non-lethal techniques to stop this criminal activity.



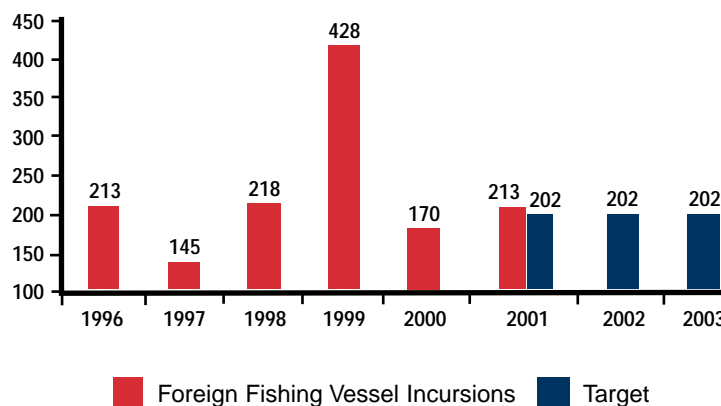
Foreign Fishing Vessel Incursions

The U.S. Exclusive Economic Zone (EEZ) was established by the 1976 Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA). This Act claims the maximum EEZ allowed by international law, extending 200 miles from U.S. shores.

The U.S. EEZ is the largest in the world, covering 3.36 million square miles of ocean and 95,000 miles of coastline. Within the EEZ, U.S. citizens have primary harvesting rights to fish stocks. Foreign fishing is significantly limited and has been restricted since 1991. As the primary agency responsible for at-sea enforcement of the MSFCMA, the Coast Guard has responsibility to ensure foreign fishermen do not harvest U.S. fish stocks illegally.

Annual EEZ incursion numbers vary due to a number of factors outside Coast Guard control. For example, a change in foreign

Foreign Fishing Vessel Incursions



fisheries management measures may result in a greater incentive for fishermen to illegally fish in U.S. waters. Furthermore, oceanic and climatic shifts can cause significant fluctuation in the migratory patterns of important fish stocks that cross EEZ borders. Illegal fishing activities sometimes increase as commercial fishermen follow their intended catch into closed areas.

The Coast Guard detected 218 incursions into the U.S. EEZ in 2001, up slightly from the previous year, but still only about 15% of the total number of suspected incursions (1450) according to intelligence estimates. Increased detections in the Gulf of Mexico (up from 109 to 147), and Central/Western Pacific (up from 36 to 52) are mainly responsible for the increase. Since EEZ incursions vary widely, as previously discussed, this year, a new measure has been adopted: the interdiction rate of foreign fishing vessels detected violating the U.S. EEZ. This year's result of 7% is on target for achieving future goals. Success in this goal can be attributed to cooperative enforcement efforts with neighboring countries such as Canada, Mexico, and Russia, as well as the development of non-lethal technologies to stop non-compliant vessels.



Protection of National Resources

The Coast Guard's prevention, enforcement and response tasks in marine environmental protection help to protect our natural resources and reduce the amount of pollution entering U.S. and international waterways. The 200 mile U. S. Exclusive Economic Zone (EEZ) provides a livelihood for U.S. commercial fishermen and numerous related enterprises, is a valuable source of protein, and provides recreational opportunities for millions of people. The Coast Guard is the only agency with the maritime law enforcement authority and assets to project federal presence over this vast area.

Oil Spills

As a nation dependent on petroleum products as a major energy source, protection of the marine environment from oil and chemical spills continues to be an important mission area for the Coast Guard. As in previous years, the number of major and medium oil spills in FY 2001 were few, but large in the volume of oil spilled. While nationwide there were a total of 4,518 oil spills, only 12 were considered major or medium in nature. One single crude oil spill in the lower Mississippi River (538,000 gallons) was responsible for 55% of the volume of oil spilled in 2001. For every million gallons of oil shipped in FY 2001, 3.4 gallons of oil were spilled.

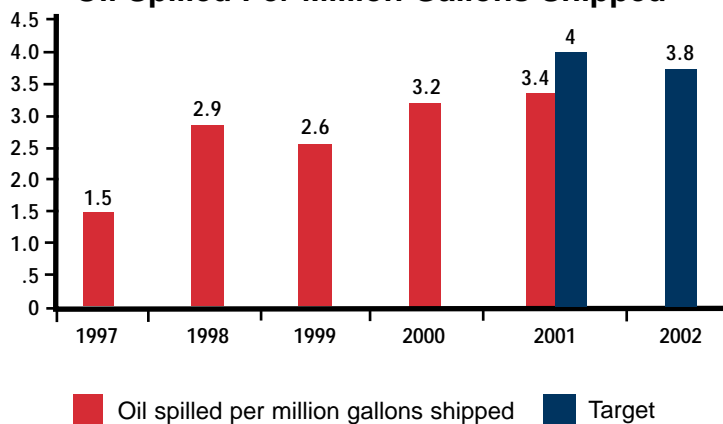


During the past five years, the majority of the oil spilled into U.S. waters (68%) resulted from only a few large spills. Barges, oil facilities and tank vessels are the leading sources of spills, with most spills resulting from equipment malfunction or human error.

The risks of bunker (fuel) spills are expected to increase in direct proportion to the increase in vessel size and vessel traffic.

The Coast Guard continues to work to reduce the risk of oil spills, and maintain the low spill rate over the long run through prevention, response, and enforcement initiatives. Our approach to environmental protection focuses foremost on spill prevention programs. When accidents do happen, the Coast Guard responds with its partners in other federal agencies, state

Oil Spilled Per Million Gallons Shipped



Maritime Homeland Security

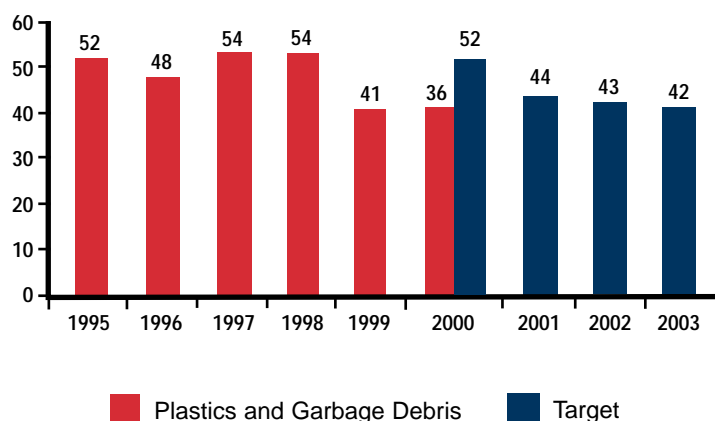
The Nation's ports and waterways are an important and irreplaceable resource. The Coast Guard's presence protects against attacks on the environment.

governments, and the maritime industry to ensure the impacts of a spill are minimized. These efforts have been effective in reducing oil spill volume.

Marine Debris

Plastic and garbage debris degrades our oceans, beaches, coral reefs, wildlife and coastal communities, and has killed birds, seals, sea turtles, and other marine life. The main

Reduce Plastics and Garbage Discharged



sources of marine debris are trash items and galley waste from vessels. The debris items most frequently found in the marine



Funding Profile

Marine Environmental Protection

(Dollars in millions)

	OE	AC&I
FY97	\$288.3	\$29.6
FY98	\$299.6	\$26.8
FY99	\$323.0	\$28.7
FY00	\$329.6	\$39.3
FY01	\$307.5	\$35.4
FY02	\$315.0	\$14.0
FY03	\$376.1	\$10.6

Domestic Fisheries & Marine Sanctuaries Enforcement

(Dollars in millions)

	OE	AC&I
FY97	\$387.4	\$44.1
FY98	\$397.8	\$74.4
FY99	\$380.9	\$75.1
FY00	\$353.0	\$189.0
FY01	\$415.1	\$47.9
FY02	\$448.9	\$104.3
FY03	\$505.0	\$129.2

Protection of Natural Resources—Continued

shoreline environment include cigarette butts, beverage cans and bottles, plastic pieces (including food wrappers and bags), and foam plastic pieces. Recreational fishing and boating generate trash such as plastic bags and cups, in addition to monofilament fishing line. In FY 2000 (the latest year for which shoreline clean-up data are available) the number of pieces of debris collected per mile (44) was below our target of 50.

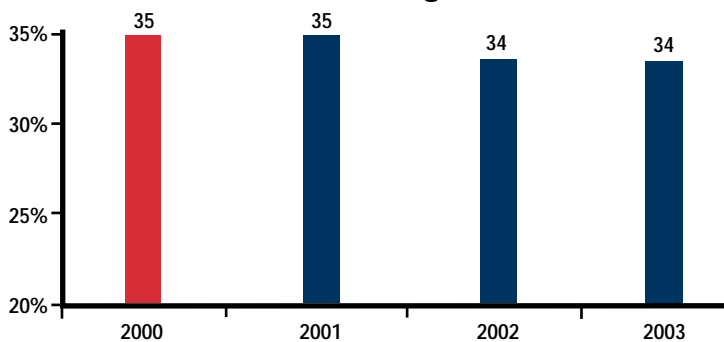
Our approach to this aspect of environmental protection focuses foremost on our prevention programs. The Coast Guard represents the United States at the International Maritime Organization for the purpose of advocating responsible international environmental standards for vessels. Personnel stationed at marine safety offices around the country enforce standards by conducting periodic boardings of vessels to ensure that vessels are in compliance with international standards. The Coast Guard also works in partnership with local port agencies to ensure that facilities are available for vessels to discharge garbage. Enforcement and education programs have helped improve results in this performance goal area over the years.

Living Marine Resources

According to a National Marine Fisheries Service (NMFS) draft report, in 2001 the number of over-fished stocks reduced by 1%. Five species were added and four removed from the over-fished list, and eight species of Pacific Northwest salmon were removed from the list because they are now being managed under the Endangered Species Act. Maintaining fish stocks is a complex management challenge. There are many factors that influence the viability of fish stocks. The Coast Guard influences one of these factors through at-sea enforcement of management plan regulations.

Commercial and recreational fisheries contribute about \$50 billion annually to the U.S. economy. Responsible management of ocean resources is critical as the world's population continues to grow, demanding increasing food sources. The Coast Guard partners closely with other federal and state agencies to improve the health of fish stocks. Conservation of U.S. fisheries and protected marine resources is a team effort that also involves the National Oceanic and Atmospheric Administration, Regional Fishery Management Councils and Marine Mammal recovery teams. NMFS is establishing a National Vessel Monitoring Systems (VMS), and in FY 2001, the Coast Guard received funding to establish connectivity to this

Percent of Fish Stocks Designated as Overfished



SOURCE: National Marine Fisheries Services

■ Percent of Fish Stocks ■ Target

system. Increased use of VMS will help with closed area enforcement. However, VMS cannot be a substitute for an at-sea presence to ensure compliance with gear and species-based regulations. Also in FY 2001, the Coast Guard received funding to create new fisheries intelligence analyst positions in key Coast Guard regions. This will enable the Coast Guard to allocate its enforcement resources more effectively.



A Coast Guard board Officer inspects the catch from a commercial fishing vessel in the Exclusive Economic Zone.

Maritime Mobility

In today's global economy, our country's foreign trade is essential to our country's economic vitality. Excluding Mexico and Canada, 95% of our foreign trade and a quarter of our domestic trade travels by ship or barge. More than two billion tons of freight worth nearly \$1 trillion annually move through U.S. ports and waterways. To foster foreign trade and promote a strong U.S. economy, the Coast Guard seeks to balance safety and environmental protection while ensuring an efficient Marine Transportation System (MTS).

Vessel Traffic

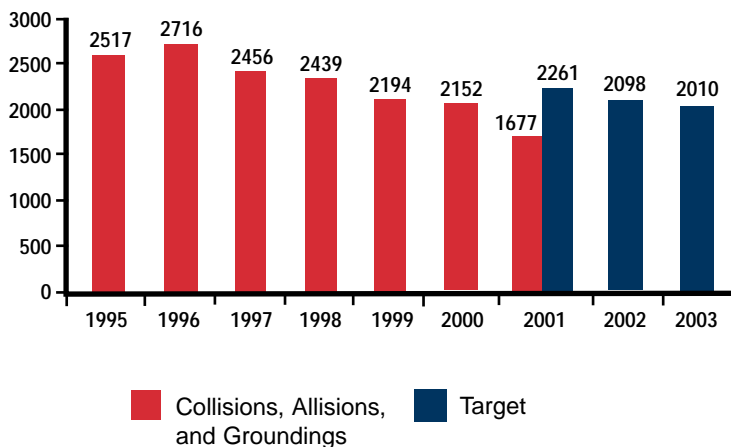
Collisions, allisions and groundings are on the decline. Preliminary data indicate there were 1,677 collisions (collisions with a moveable object), allisions (collisions with a fixed object) and groundings in FY 2001, as compared to 2,152 in FY 2000. This decline appears to be directly related to ongoing efforts to inform the maritime industry of navigation information and vessel traffic services.

The Coast Guard aims to prevent accidents by developing navigation standards, but when accidents occur, the Coast Guard responds to ensure minimal disruption to the transportation system. Additionally, the Coast Guard investigates accidents and uses lessons learned in its work with its industry partners to improve port and waterway safety and facilitate commerce.

The growth in the containership industry and vessel size is driving many harbor improvement projects in the United States. To handle more and larger ships, ports need to provide channel depths of at least 50 feet, cranes that can fully cover their ships' widths, highly efficient terminals, and superior inland connections. These factors can imperil safety, increase environmental risks, and put pressure on the efficiency of the traffic flow. Similar growth in other commercial (e.g., ferry service, cruise ships, oil and chemical tankers) and recreational traffic is increasing the competition for use of the waterways. As larger volumes of commercial and recreational vessel traffic squeeze ports and waterway capacity, navigational accidents will have increased impact on freight movements and increase the risk of environmental damage.



Reduce Collisions, Allisions and Groundings



The delivery of nearly all goods is on a time sensitive basis. The receivers of products—either manufacturers or retailers—require that shipments arrive on a certain date and even by a specified time. A modern information system is crucial to understanding the challenges to a safe and efficient movement of marine traffic. A continued need exists to coordinate more effectively both internally and with our interagency and public/private stakeholders to systematically address the challenges the MTS will face in the next two decades and beyond. Major initiatives in this area include developing regulated navigation areas, providing Vessel Traffic Services to improve communications, sponsoring Harbor Safety Committees who address port and waterway issues and recommending strategies for improving the Maritime Transportation System.

Aids To Navigation

The Coast Guard's Aids to Navigation program helps to ensure safe vessel movements. The Coast Guard maintains nearly 50,000 federal navigation aids, as well as buoytenders, Aids to Navigation teams, and radio navigation systems.

Short-range aids-to-navigation (SRA) comprise combinations of visual, sound, and radar enhancement signals placed on floating and fixed stations, such as lighthouses, ranges, buoys, and beacons. SRA signals contribute to the strategic mobility, safety, natural resource protection, defense, and homeland security objectives of the U.S. Coast Guard. These signals are critical to an interdependent system of federal interventions aimed at managing risks associated with economic, military, and recreational maritime transportation.

SRA signals work together with radio navigation, communications, VTS, dredging, charting, marine information, regulation, licensing, and other federal activities to reduce the overall risk of a vessel's transit. In general, micro-systems of SRA signals mark navigable channels and hazards to assist people in determining their position and safe course, and also warn of dangers and obstructions. The Coast Guard seeks to maintain navigation aid availability days at 99.7% of all days. However in FY 2001, aid availability was 98.2%.

Radio Aids to Navigation consist of Long Range Navigation (Loran-C), Global Positioning System (GPS) and Differential Global Positioning System (DGPS). The Coast Guard provides Loran-C and DGPS services; the Department of Defense (DOD) provides GPS service. The purpose of these systems is to

Maritime Homeland Security

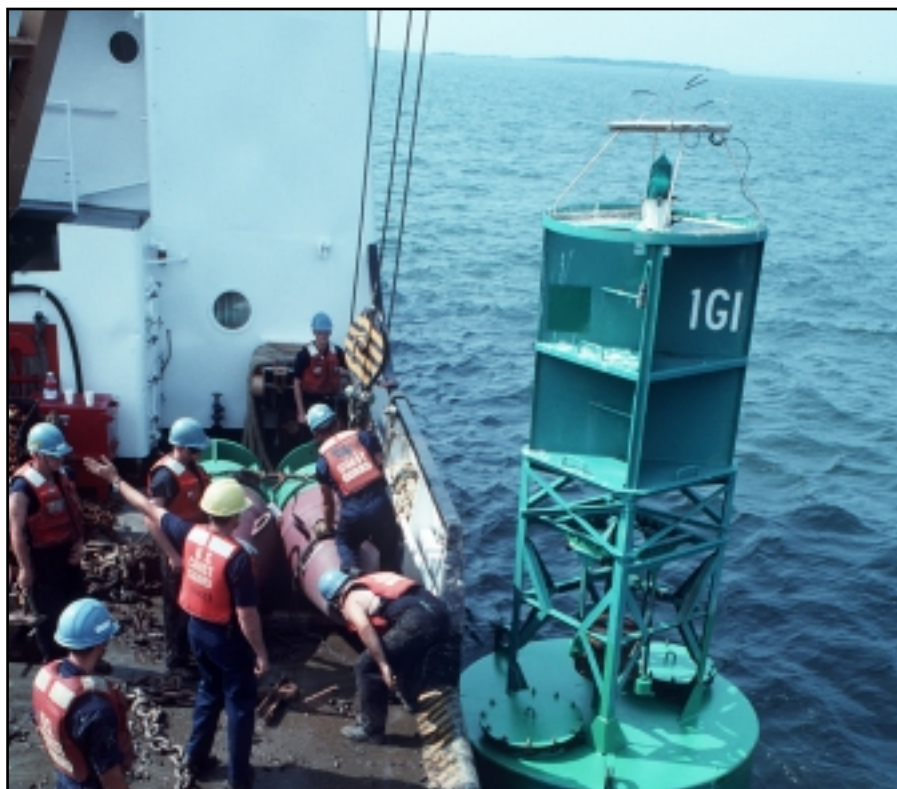
Port Security challenges are unlikely to subside. Over 95% of our overseas commerce is carried through seaports. Americans want to be assured that vessels and their cargo do not pose a significant threat to our ports and our economy.

Funding Profile

Aids to Navigation

(Dollars in millions)

	OE	AC&I
FY97	\$438.6	\$160.2
FY98	\$455.0	\$120.3
FY99	\$483.7	\$120.5
FY00	\$480.0	\$106.2
FY01	\$647.4	\$74.5
FY02	\$687.6	\$110.5
FY03	\$815.2	\$73.6



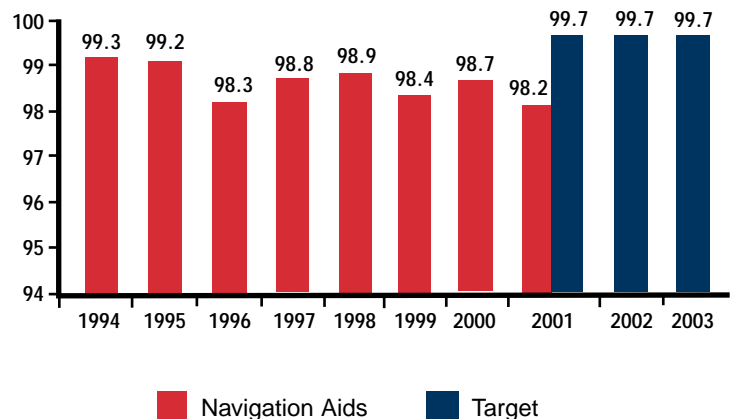
Maritime Mobility—Continued

provide continuous, accurate, all-weather positioning capability to navigators of both vessels and aircraft to facilitate safe navigation and prevent disasters, collisions, and wrecks.

Loran-C uses a system of 24 land-based radio transmitters. Historically, the system has allowed mariners, aviators, and terrestrial users operating Loran-C receivers to determine their position to an accuracy of approximately 460 meters (30-70 meters repeatable), although recent advances in receiver technology are significantly improving on this. Loran-C serves the coastal waters and the entire inland area of the 48 states, the Great Lakes, the Gulf of Alaska, and the Aleutian Islands.

DGPS augments the DoD-provided Global Positioning System (GPS) using a system of Coast Guard-operated land-based radio towers that transmit on the radiobeacon frequencies of 285-325 KHz. This augmentation improves the accuracy of GPS and, more critically, provides a warning to users of any detected faults in the GPS service. DGPS allows mariners and terrestrial users equipped with GPS and DGPS receivers to determine their position to an accuracy within ten meters, and typically within three meters depending on distance from the DGPS station and quality of the user's receiver. (The U.S. Coast Guard partners with the U.S. Army Corps of Engineers (USACE) in operating 11 of these sites, mostly on the Western Rivers.)

Maintain Navigation Aid Availability

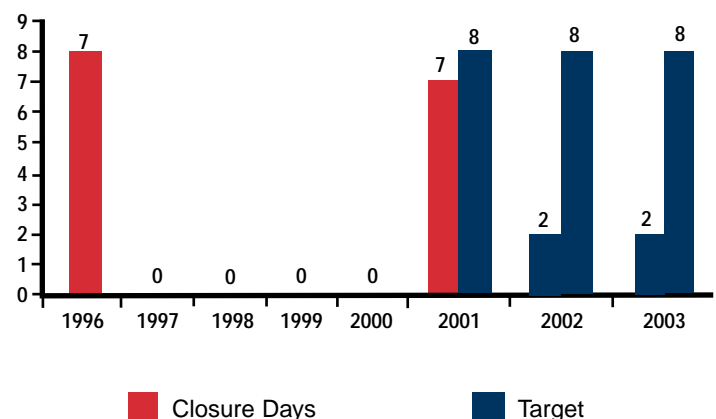


Domestic Icebreaking

The Coast Guard provides heavy icebreaking capability to facilitate year-round maritime commerce. Shipping in the Great Lakes and Northeast during winter months provides the most cost-effective transportation of raw materials and goods for many industries, particularly those that ship bulk cargoes and home heating oil. Approximately 15 million tons of materials (ore, coal, steel, etc.) are shipped during the winter on the Great Lakes alone. Home heating oil and other petroleum products are the key cargoes requiring icebreaking services along the East coast. With the formation of ice in our critical waterways, marine traffic is sustained only with U.S. Coast Guard icebreaking services. Without these services winter waterway closures would increase transportation costs substantially.

In 2001, the Coast Guard met its goal for limiting the number of waterway closures on the Great Lakes and in the Northeast. Western Lake Erie and the lower Detroit River were closed for 7 days last year. Icebreaking services kept commerce moving all season last year in New England.

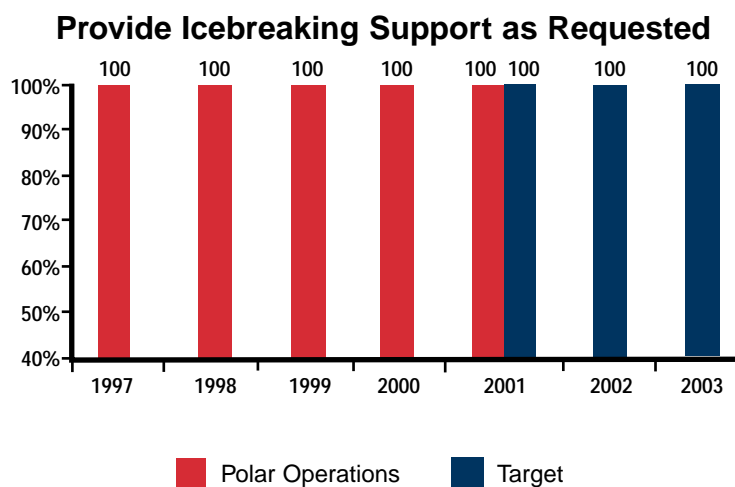
Limit Closures to Critical Waterways to 2 Days



Note: target is 2 days in an average winter, and 8 days in a severe winter.

Polar Operations

The Coast Guard is the sole U.S. operator of heavy icebreakers. The Coast Guard conducts polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity in the Polar Regions. Our icebreakers provide logistics support and clear tracks for other vessels re-supplying U.S. facilities in the Polar Regions. Without this service, these bases could not perform vital functions. In addition to logistics support, polar icebreakers promote a U.S. presence in the Polar Regions, provide a wide range of research and data collection support to accommodate increasing scientific interest, and support State Department treaty compliance inspections. In FY 2001, the Coast Guard provided icebreaking support as requested by the National Science foundation, the Department of Defense and the Department of State 100% of the time.



A Coast Guard icebreaker conducts scientific research in the polar region.

National Defense

The Coast Guard—as one of the five military services and a member of the Armed Forces—provides an essential and unique element of our national security. Today, Coast Guard defense-related functions are targeted to the Service’s unique capabilities in Maritime Interception Operations, Military Environmental Response Operations, Port Operations, Security and Defense, Peacetime Engagement and Homeland Defense.



Military Readiness

The Coast Guard was not able to meet its target for providing the required number of ‘combat ready’ units, using Status of Resources and Training System (sorts) criteria, to meet the Department of Defense Commanders in Chief (CinC) contingency plan requirements 100% of the time. However, our preliminary FY 2001 result (67%) only reflects data through the 3rd quarter due to technical difficulties in obtaining data from the Pentagon following damage to that facility sustained from the September 11th attack.

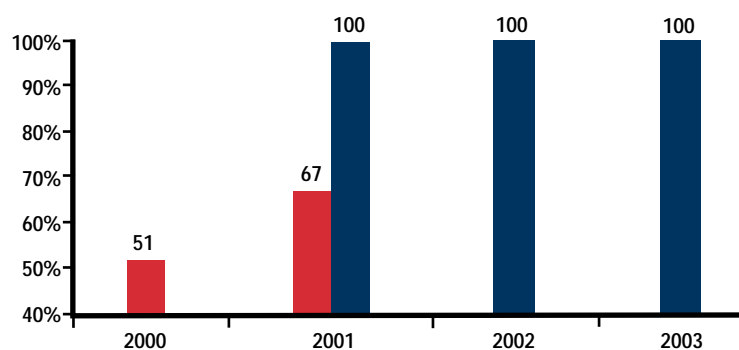
Our measure of military readiness continues to be refined. The Department of Defense contingency requirements used in the measure are for ‘worst case’ scenarios needed to support

two major theater contingency plan requirements. The required resources include high endurance cutters, patrol boats and port security units.

Nonetheless, FY 2001 data indicate an improvement in readiness that has been validated amidst contingency operations. High endurance cutter and patrol boat readiness remained nearly constant, meeting CinC requirements 91% and 100% of the time respectively. Similarly, port security units’ readiness improved approximately 3%, which was validated by actual performance and response following incidents on September 11th when they rapidly deployed to New York, Boston, Los Angeles/Long Beach, and Seattle to improve security capabilities in these harbors.

Continued investment and maturing of port security units has resulted in improved readiness at each unit and this trend is expected to continue. Conversely the high endurance cutter and patrol boat readiness could be negatively impacted during FY 2002 due to increased operations tempo associated with homeland security operations.

Percentage of days the designated number of Critical Defense assets maintain a Combat Readiness rating of 2 or better

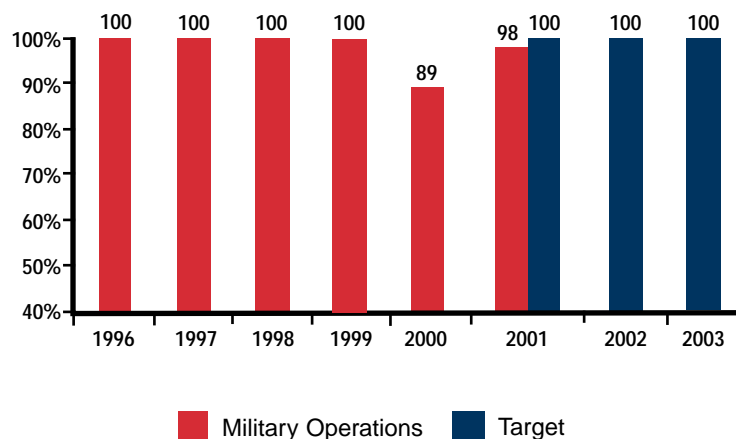


NOTE: FY 2001 results only include 3 quarters of data due to technical difficulties in obtaining data from the Pentagon following damage to the facility sustained from the September 11th attack.

■ Military Readiness ■ Target

Military Operations

Provide Core Military Competencies When Requested 100% of the Time



The Coast Guard deployed considerable resources to meet many scheduled Department of Defense and State Department requests during FY 2001. However, there are several indications that programmed Coast Guard support does not fully satisfy Department of Defense and State Department needs. There have been an increased number of requests made to Headquarters and directly to field commanders because of more clearly defined Anti-terrorism and Force Protection (AT/FP) requirements. Following the recent terrorist attacks, other indications/warning of threats to U. S. forces, have led to a greater number of requests. Planned deployments, exercises and international training team support continue to be met within existing budgetary authorizations, commitments and constraints.

In FY 2001, the Coast Guard deployment of the high endurance cutter SHERMAN to the Arabian Gulf culminated with an around the world voyage. The cutter LEGARE deployed to Europe. Coast Guard reservists assigned to port security units were involuntarily recalled to provide force protection for Navy ships participating in Operation Southern Watch in Southwest Asia for over 6 months. International training detachments provided training worldwide to developing nations. One Port Security Unit deployed overseas for training.

It does not appear likely that the Coast Guard's goal of 100% support to military operations will be obtainable during FY 2002 due to increased obligations for Maritime Homeland Security. Continued investment and maturing at the mostly reserve personnel-staffed port security units, which are intended for expeditionary operations and will be least affected by increased operations tempo, should result in improved readiness at each port security unit. High endurance cutter and patrol boat availability, however, may be negatively impacted during FY 2002 due to Maritime Homeland Security operations. Despite these constraints, the Coast Guard will continue to strive to meet 100% of support requested by the Department of Defense and the Department of State.

Maritime Homeland Security

The Coast Guard is uniquely positioned as a military service and a federal law enforcement agency to recognize elusive maritime terrorist threats, anticipate vulnerabilities, and serve as a command structure for, as well as a bridge between, military and civilian agencies.

Funding Profile

Ice Operations

(Dollars in millions)

	OE	AC&I
FY97	\$63.2	\$19.0
FY98	\$69.2	\$19.4
FY99	\$99.8	\$15.9
FY00	\$108.3	\$163.1
FY01	\$111.9	\$12.9
FY02	\$116.3	\$16.0
FY03	\$139.8	\$5.3

Defense Readiness

(Dollars in millions)

	OE	AC&I
FY97	\$44.2	\$4.7
FY98	\$67.9	\$5.0
FY99	\$80.2	\$6.1
FY00	\$45.2	\$11.3
FY01	\$174.6	\$20.1
FY02	\$104.2	\$22.8
FY03	\$123.3	\$27.0

Budget in Brief

Funding History (\$000)	FY01 Actual^{1,3}	FY02 Enacted^{2,3}	FY03 President's Budget³
Operating Expenses (OE)	3,595,210	3,902,679	4,635,268
Acquisition, Construction and Improvements (AC&I)	413,860	643,900	735,846
Environmental Compliance and Restoration (EC&R)	16,914	17,181	17,286
Alteration of Bridges (AB)	15,466	15,466	.....
Retired Pay	778,000	876,346	.....
⁴ Coast Guard Military Retirement Fund 889,000	.....	.....	.....
Reserve Training	97,132	100,251	112,825
Research, Development Test and Evaluation (RDT&E)	22,111	21,077	23,106
Oil Spill Recovery	76,210	61,200	61,200
Boating Safety Account	64,000	64,000	64,000
Gift Fund	323	80	80
Sub Total	5,079,226	5,702,180	6,538,611
^{4,5} Payment to Coast Guard Military Retirement Fund 736,000	.....	.....	.....
Total	5,079,226	5,702,180	7,274,611

¹ FY 2001: Includes a government-wide rescission of \$7.022 million for Operating Expenses; \$913 thousand for Acquisition, Construction, Improvements; \$37 thousand for Environmental, Compliance and Restoration; \$34 thousand for Alteration of Bridges; \$177 thousand for Reserve Training; and \$47 thousand for Research, Development, Test and Evaluation pursuant to P.L. 106-554. Also includes a Supplemental Appropriations for \$92 million and \$18 million pursuant to P.L. 107-20 and 107-38, respectively for Operating Expenses.

² FY 2002: The Operating Expenses account includes a Supplemental Appropriation for \$209 million pursuant to P.L. 107-117. A reduction for \$791 thousand for Operating Expenses; \$158 thousand for Acquisition, Construction and Improvements; \$5 thousand for Environmental, Compliance and Restoration; \$3 thousand for Research, Development, Test and Evaluation and \$22 thousand for Reserve Training is included pursuant to DOT Appropriation Act, P.L. 107-87. A DOD TASC reduction for \$680 thousand for Operating Expenses; \$136 thousand for Acquisition, Construction and Improvements; \$4 thousand for Environmental, Compliance and Restoration; \$3 thousand for Research, Development, Test and Evaluation and \$19 thousand for Reserve Training is included pursuant to P.L. 107-117.

³ FY 2001-2003: Includes military and civilian accrual funding related to new proposed legislation. However, FY01 and FY02 do not include an estimated payment to Coast Guard Military Retirement Fund necessary for equitable comparison across all three years.

⁴ **Coast Guard Military Retirement Fund:** \$889 million, as part of the Administration's initiative to reflect full accrual of retirement costs, legislation is proposed to establish this new retirement fund. The request for this account includes funding for the unfunded liabilities associated with current retirees.

⁵ **Payment to Coast Guard Military Retirement Fund:** The Administration proposed legislation in October 2001, to accrue fully the retirement costs of Coast Guard military personnel. The \$736 million requested for this account would make mandatory payments to the unfunded liability accruing prior to this change (amortized over 40 years).

Operating Expenses

This appropriation funds the continued operation and maintenance of a wide range of vessels, aircraft, shore units, and aids to navigation. The request funds Coast Guard missions, including maritime homeland security, search and rescue, drug interdiction, illegal migrant interdiction, and marine safety and environmental protection. The Operating Expenses appropriation also provides for military and civilian salaries and benefits.

FY02 Budget Authority:	3,695,000
Programmatic Reductions	
Termination of One-time Costs	- 9,827
Annualization of FY02 Management Savings	- 8,276
Management and Technology Efficiencies	
Scheduled Decommissioning of Three Seagoing Buoy Tenders	- 3,178
Subtotal Program Reductions	-21,281
Built-in Changes	
Mandatory Personnel Entitlements	117,045
Increasing Contract Costs	27,505
Annualizations	
Annualization of FY02 Part-year Funding	27,268
Annualization of FY02 Pay Raise	51,933
Annualization of FY02 National Defense Authorization Act Entitlements	24,300
Operational Adjustments	
Increasing Cost of Readiness Capability Sustainment	37,300
Increasing Fuel and Energy Costs	763
Increasing Operating Fees	780
Homeland Security Liaison Billets	4,094
Accrual Based Retirement Initiative	
Tricare For Life Accrual Funding	187,000
Retirement Accrual Funding-Pending Legislation	3,812
Subtotal Built-in Changes	481,000

Budget in Brief—Continued

Operate New Facilities		
Shore Facility Construction Follow-on	978	
Commission and Operate Three Seagoing Buoy Tenders	12,646	
Commission and Operate Three Coastal Patrol Boats	3,505	
Defense Message Service Follow-on	210	
47-Foot Motor Life Boat (MLB) Follow-on	2,192	
GMDSS Alert Processing System Follow-on	87	
National Distress & Response System Follow-on	1,370	
Maritime Domain Awareness Follow-on	27,498	
High Interest Vessel Control Follow-on	3,617	
Presence and Response Capabilities Follow-on	195,355	
Critical Infrastructure and Force Protection Follow-on	13,271	
Domestic and International Outreach Follow-on	5,581	
Subtotal Operate New Facilities	266,310	
New/Enhanced/Restoration Initiatives		
Maritime Domain Awareness		
Communications and Connectivity	34,444	
Information and Investigations	26,063	
High Interest Vessel Control		
Maritime Escort and Safety Patrols	18,502	
Presence and Response Capabilities		
Maritime Safety and Security Teams	47,536	
Critical Infrastructure and Force Protection		
Chemical, Biological and Radiological Countermeasures	17,483	
Critical Infrastructure Protection	11,180	
Firearms and Ammunition	9,088	
Domestic and International Outreach		
Security Readiness and Planning	21,495	
Incident Command System	2,324	
Maritime Search and Rescue/Personnel Safety	21,724	
VTIS Corpus Christi Enhancements	3,600	
Subtotal New Initiatives	213,439	
Total FY03 Changes	940,268	
Total FY03 Request	4,635,268	

Operating Expenses – Historical Funding Profile

1997	1998	1999	2000	2001	2002	2003
\$2,633.0	\$2,714.9	\$3,044.9	\$2,779.0	\$3,595.2	\$3,902.7	\$4,635.3

Note: FY 2001-2003 includes military and civilian accrual funding related to proposed legislation

Acquisition, Construction and Improvements

The FY03 AC&I appropriation of \$735,846,000 funds procurement of capital assets which enable the U.S. Coast Guard to effectively and efficiently accomplish missions. Maintaining an effective level of necessary services to the public increasingly requires capital assets that are more capable and efficient than the assets they replace.

In the Vessel category of the account, the U.S. Coast Guard's goal is to buy multi-mission platforms that use advanced technology to reduce life-cycle operating costs. As shown below,

the U.S. Coast Guard is using some ships that are more than 50 years old. The FY03 request will continue the Integrated Deepwater System Program, by studying the right mix of assets that will allow the U.S. Coast Guard to perform its missions in the 21st century.

In the Aircraft category, our goal is to ensure safety in the performance of U.S. Coast Guard missions, upgrade existing systems and extend the service life of aircraft currently in inventory.

In the Other Equipment mission support category, the U.S. Coast

Guard invests in numerous communication, management information and decision support systems for increased efficiencies, personnel reductions and Operating and Maintenance savings while providing needed operational capabilities.

In the Shore Facilities support category, the U.S. Coast Guard invests in modern structures that are more energy-efficient, comply with regulatory codes and minimize follow-on maintenance requirements.

FY03 Request (dollars are in the thousands)

Acquire Vessels and Equipment	
Survey And Design — Cutters and Boats	\$ 400
41' UTB Replacement	4,000
Seagoing Buoy Tender (WLB) Replacement	4,000
Polar Class Icebreaker Reliability Improvement Project (RIP)	2,200
Alex Haley Conversion Project-Phase II	3,000
Subtotal — Vessels	13,600
Deepwater Project	
Integrated Deepwater System Program	500,000
Other Equipment	
Ports and Waterways Safety Systems (PAWSS)	5,000
National Distress & Response System Modernization Project	90,000
Defense Message System (DMS) Implementation	2,100
Global Maritime Distress and Safety System (GMDSS)	2,200

Budget in Brief—Continued

Thirteenth District Microwave Modernization Project	3,000
Hawaii Rainbow Communications System Modernization	3,000
High Frequency (HF) Recapitalization and Modernization	2,000
Prince William Sound Microwave Wide-Area Network Replacement	1,000
Maritime Domain Awareness Information Management (MDA IM)	9,400
Subtotal — Other Equipment	117,700
Shore Facilities/Aids to Navigation	
Survey and Design - Shore Operational and Support Projects	2,500
Minor AC&I Shore Construction Projects	4,900
Shore - Air Stations	
Consolidation of Kodiak Aviation & Support Functions	4,000
Coast Guard Housing—various locations	7,000
Shore – Groups/Bases/Stations/MSO's:	
Station Manistee, MI Construction	5,400
Aids to Navigation Facilities	
Waterways Aids to Navigation Infrastructure	4,900
Subtotal — Shore Facilities and Aids to Navigation Facilities	28,700
Personnel and Related Support Costs	
AC&I Core	500
Direct Personnel Costs	64,500
Accrual Based Retirement Initiative	10,846
Subtotal — Personnel	75,846
Total FY03 Request	735,846

Acquisition, Construction and Improvements – Historical Funding Profile

1997	1998	1999	2000	2001	2002	2003
\$374.8	\$395.9	\$624.4	\$779.0	\$413.8	\$643.9	\$735.8

Note: FY 2001-2003 includes military and civilian accrual funding related to proposed legislation

Integrated Deepwater System

The Coast Guard's greatest threat to mission performance is that its aircraft (helicopters and fixed-wing planes) and cutters (larger ships) that operate offshore and in near-shore disaster response operations requiring extended on-scene presence, are aging and technologically obsolete, and require retooling and /or replacement. The majority of the large cutters and aircraft will reach the end of their service life by 2008; with the average age of ships at 28 years old. The ships and aircraft have increasing operating and maintenance costs, which results in lost mission effectiveness and inefficient return on investment for the public. The ships and planes lack capabilities in speed, sensors for search, detection and identification, communications and interoperability with DOD, Other Government Agencies (OGA) and other CG assets that limit mission effectiveness and efficiency.

Demand for Coast Guard services is outpacing the ability to retool or replace Coast Guard cutters and aircraft. Wear and tear on people and equipment has resulted in increased risk to Coast Guard personnel and the public, and degradation in mission performance. As threats and missions change, it is imperative for the U.S. to maintain a modern, robust, agile, and affordable Coast Guard.

The Integrated Deepwater System program is a multi-year performance based acquisition (20+ years, based on 5-year award terms) that will replace or retool the major Coast Guard's cutters, offshore patrol boats, fixed-wing aircraft, search and rescue helicopters and their communications equipment, sensors (radars, thermal imaging devices, etc.), and the logistics required to maintain the equipment in an immediately available status.



The IDS program will be acquired as an integrated system, and interoperability will be built-in or retooled in aircraft and cutters. Interoperability provides, crucial coordinated performance of security and safety missions by assets—often in the harshest weather, seas, and in response to man-made or natural disasters.

In the past, the Coast Guard replaced its ships, aircraft and sensors as they became obsolete or unsupportable in availability of parts/cost. This was on a class of ships or class of aircraft (one-for-one) basis. For IDS, industry was provided with specifications for the capabilities the Coast Guard requires to perform missions rather than specifications for specific assets. The competing industry teams have designed systems of surface, air, communications, sensors, and logistics support systems to meet the mission requirements. Deepwater's focus on capabilities permits industry to use innovative available technologies and processes that will improve operational effectiveness while minimizing total ownership costs.

The CG will partner with a single System Integrator (SI). The SI will upgrade and or replace ships, aircraft, logistics systems and Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) through its team of sub-contractors. The SI will deliver an integrated system of ships, aircraft, logistics systems and command, control, communications, computers, intelligence, surveillance and reconnaissance equipment.

The Deepwater acquisition strategy consists of two phases. In Phase 1, contracts were awarded to three industry teams (each a consortia of major ship, aircraft, SI companies) to define and provide trade-off analyses, life cycle cost analysis, and conceptual and functional design for an Integrated Deepwater System (IDS). The following prime contractors led the industry teams: The Boeing Company, Integrated Coast Guard Systems, and Maritime Systems Alliance. From 1998-2001, these highly qualified teams refined their solutions to improve operational effectiveness and minimize total ownership costs. Phase 1 of the IDS was completed on 15 June 2001. During Phase 2, the selected contractor will implement the winning solution. The acquisition strategy calls for phased, successive segment (such as the two-phased approach and successive award terms). The strategy includes a five-year base award with option to award up to five additional five-year award terms, providing incrementally developed useful segments over the time period.

The role of the Coast Guard in homeland security is to help provide the maritime security piece to the comprehensive puzzle. The Deepwater Program is key to ensuring the Coast Guard can continue to fulfill its mission of safeguarding sovereignty, security, and safety in our homeland waters.

"We Must... Be Bold — and Aggressive... the Deepwater Project — Is our Future."

**Admiral James M. Loy,
U.S. Coast Guard**

Historical

Funding Profile (Dollars in millions)	Reserve Training ①	Environmental Compliance & Restoration ② (EC&R)	Research, Development, Test, and Evaluation*③ (RDT&E)	Alteration of Bridges**④ (Discretionary)	Boat Safety⑤			Retired Pay⑥	Oil Spill Recovery⑦
					Discre- tionary	Mand- atory	Total		
FY97	\$65.4	\$21.9	\$19.0	\$16.0	\$35.0	\$10.0	\$45.0	\$616.8	\$57.0
FY98	\$67.0	\$21.0	\$19.0	\$17.0	\$35.0	\$20.0	\$55.0	\$653.2	\$59.3
FY99 *	\$74.0	\$21.0	\$17.0	\$37.6	\$0	\$64	\$64	\$684.0	\$65.8
FY00	\$71.9	\$16.9	\$18.9	\$14.9	\$0	\$64	\$64	\$730.3	\$61.8
FY01	\$97.1	\$16.9	\$22.1	\$15.5	\$0	\$64	\$64	\$778.0	\$76.2
FY02	\$100.3	\$17.2	\$21.0	\$15.5	\$0	\$64	\$64	\$876.4	\$61.2
FY03	\$112.8	\$17.3	\$23.1	.....	\$0	\$64	\$64	*	\$61.2

* See Tab 6

① Reserve Training

The U.S. Coast Guard Reserve Forces provide qualified personnel for response to conflict, national emergency, or natural and man-made disasters. Reserve Personnel maintain their readiness through realistic coordinated mobilization exercises, formal military training and duty alongside regular Coast Guard members during routine and emergency operations. The requested level of \$113 million provides resources to fully train, support and sustain a Selected Reserve force of 9,000 members. The U.S. Coast Guard is one of the five armed services and is a full partner on the Joint National Security Team. The U.S. Coast Guard's commitment in this area is demonstrated by the employment of Port Security Units (PSUs) in response to Department of Defense requirements. PSUs are a mix of active duty and reserve personnel units that protect mission essential cargoes in vital loadout and destination ports. This wartime or national security mission is a natural extension of the port safety function that the U.S. Coast Guard performs daily in peacetime. The U.S. Coast Guard Reserve also provides a cost-effective surge capacity for responses to human and natural disasters (e.g., hurricanes, flooding, earthquakes, immigration). Only the U.S. Coast Guard can simultaneously fill such maritime safety, maritime law enforcement and marine environmental protection roles. These unique capabilities are products of the U.S. Coast Guard's mission diversity, which the Reserve Personnel supplement as surge capacity for Coast Guard operations.

② Environmental Compliance & Restoration

The U.S. Coast Guard Environmental Compliance and Restoration account provides resources to carry out environmental compliance and restoration responsibilities resulting from the operation of former and current Coast Guard facilities. This program focuses on specific restoration projects, driven by the level of hazard posed to the environment and tempered by the demands of federal, state and local environmental regulatory agencies. Continuing compliance initiatives include meeting the more stringent emission requirements of the Clean Air Act Amendments of 1990, developing hazardous waste minimization strategies, pollution preventing shore facility improvement projects, performing proactive compliance audits to preclude regulatory action and prototyping of more environmentally friendly equipment.

③ Research, Development, Test & Evaluation

The overall goal of the Research, Development, Test and Evaluation program is to employ new technologies in improving the performance of all Coast Guard missions while improving productivity. The investments in RDT&E result in: reductions in the number of lives lost at sea; improvements in efficiency of maritime commerce that translate directly into national economic gains, reduction in the destruction of the environment by oil and chemical spills, improvements in our enforcement of laws and treaties and direct savings to the taxpayer in the costs required to operate the U.S. Coast Guard.

4 Alteration of Bridges

This appropriation provides the Federal Government's share of the costs for altering or removing bridges determined to be obstructions to navigation. Alteration of obstructive highway bridges is eligible for funding from the Federal-Aid Highways program. The Coast Guard will continue to make the determinations as to whether any bridge presents an unreasonable obstruction to navigation, and to administer the program. Generally, bridges to be altered were built with what are now insufficient vertical and/or horizontal clearances for free navigation on navigable waters of the United States. Currently, under the Truman-Hobbs Act of 1940, as amended, the U.S. Coast Guard shares the cost of altering railroad and publicly owned highway bridges, which obstruct the free movement of marine traffic. In addition, the U.S. Coast Guard exercises administrative control over the construction, maintenance and operation of bridges across navigable waters in the United States.

5 Boat Safety

Boating Safety funds provide \$59 million for grants to States and national nonprofit public service organizations to develop and carry out recreational boating safety programs, and \$5 million for Coast Guard coordination of the National Recreational Boating Safety Program, established by the Federal Boat Safety Act of 1971, as amended.

6 Coast Guard Military Retirement Fund

\$889 million, as part of the Administration's initiative to reflect full accrual of retirement costs, legislation is proposed to establish this new retirement fund. The request for this full account includes funding for the unfunded liabilities associated with current retirees.

7 Payment to Coast Guard Military Retirement Fund

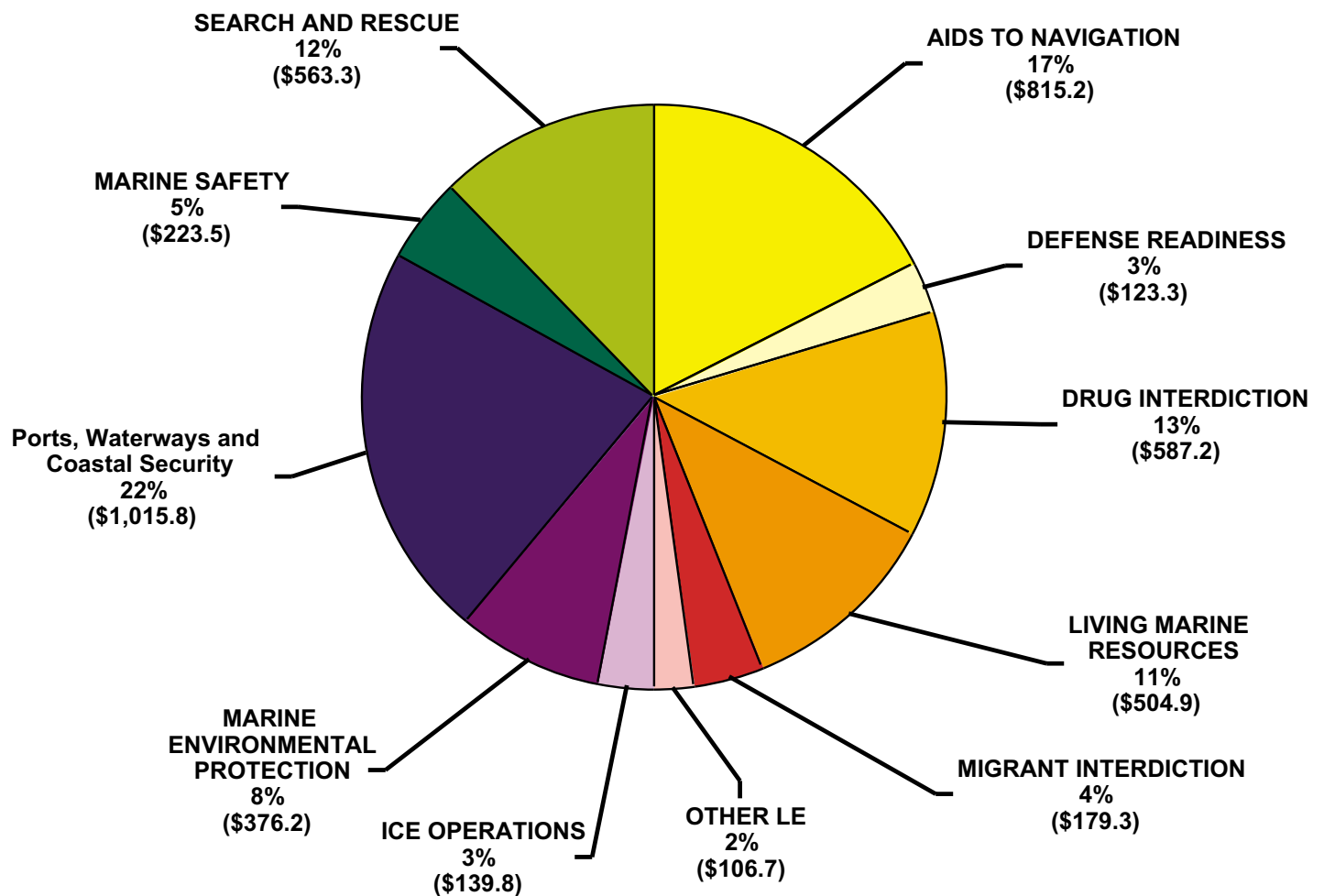
The Administration proposed legislation in October 2001, to accrue fully the retirement costs of Coast Guard military personnel. The \$376 million requested for this account would make mandatory payments to fund the unfunded liability accruing prior to this change (amortized over 40 years).

8 Oil Spill Recovery, Coast Guard

The Oil Spill Liability Trust Fund provides a source of funds for removal costs and damages, including assessment of damaged natural resources, paying claims and for federal expenses necessary to administer the Fund. In accordance with the provisions of the Oil Pollution Act of 1990, the fund may finance annually up to \$50 million of emergency resources and all valid claims from injured parties resulting from oil spills. The \$61.2 million request consists of \$50 million for emergency response costs, \$10 million for payment of claims and \$1.2 million for the Oil Spill Recovery Institute.

Operating Expenses Budget by Major Programs—FY 2003

Operating Expenses Budget by Major Programs - FY 2003
(Dollars in Millions)



Balance Sheet

Below is a summary statement—comparable to financial reports issued by private and nonprofit sector organizations—to show the United States Coast Guard's financial position.

<i>(Dollar amounts in thousands)</i>		<i>(Dollar amounts in thousands)</i>	
Cash and other monetary assets	\$ 2,152,323	Accounts Payable and Other Liabilities (Funded)	\$ 555,558
Investments		Accounts Payable and Other Liabilities (Unfunded)	324,175
Oil Spill Liability Trust Fund	\$ 1,129,248	Federal Employee and Veteran's Benefits Payable (Unfunded)	27,676,738
Aquatic Resource Trust Fund	0	Environmental and Disposal Liabilities (Unfunded)	102,272
Gift Fund	1,456	Total Liabilities	\$ 28,658,743
Total Investments	1,130,704	Unexpended Appropriations	\$ 1,804,439
Accounts Receivable:		Cumulative Results of Operations	20,941,511 *
Oil Spill Liability Trust Fund	\$ 60,589	Total Net Position	19,137,072
All Other	151,861		
Total Accounts Receivable	212,450		
Other Assets	77,449		
Inventory/Operating Materials and Supplies	1,094,466		
Plant, Property, and Equipment (PP&E)			
Vessels	\$ 2,174,600	Total Liabilities and Net Position	\$ 9,521,671
Aircraft	560,501		
Buildings and Structures	1,074,442		
Land	46,091		
Small Boats	179,179		
Electronics	75,209		
Construction in Progress	696,697		
Other Assets	47,560		
Total PP&E	4,854,279		
Total Assets	\$ 9,521,671		

* Negative figure



United States Coast Guard America's Maritime Guardians:

Protecting people from the sea;

Protecting the sea from people; and

Protecting America from her enemies

Commandant
U.S. Coast Guard
Washington, D.C. 20593